

Message Text

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AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L ROME 11625

LIMDIS GREENBACK

PASS TREASURY AND FRB

E.O. 11652: GDS

TAGS: EFIN, IT, IMF

SUBJECT: EC POSITION ON INTERNATIONAL MONETARY REFORM

REF: A. ROME 11343

B. EC BRUSSELS 6135 (NOTAL)

1. SUMMARY. BANK OF ITALY VICE DIRECTOR GENERAL OSSOLA
DISCUSSED STATUS OF EC POSITION ON INTERNATIONAL MONETARY
REFORM ISSUES WITH TREASATT ON AUGUST 12. HE WAS PREPARED
TO VISIT WASHINGTON BEFORE NEXT EC MINFIN MEETING, IF
THIS WOULD BE USEFUL. END SUMMARY.

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2. OSSOLA SAID THAT AT EC MONETARY COMMITTEE MEETING ON

AUGUST 11 EC COUNTRIES, EXCEPT FRANCE, WERE AGREED ON SO-CALLED FORMULA 2 SOLUTION OF FUTURE FOREIGN EXCHANGE REGIME QUESTION, I.E., IMF ARTICLES OF AGREEMENT WOULD ADOPT INTERIM COMMITTEE COMMUNIQUE LANGUAGE AND IT WOULD BE AGREED THAT, WHEN IMF EVENTUALLY CALLED UPON COUNTRIES TO FIX PARITIES, COUNTRIES IN SPECIAL CIRCUMSTANCES COULD CONTINUE TO FLOAT AND IMF WOULD NOT CHALLENGE SUCH A DECISION. (SEE PARA 7.A.2. OF REF B.) OSSOLA RECOGNIZED THAT THIS FORMULATION MIGHT STILL NOT PROVIDE BASIS FOR AGREEMENT BY BOTH U.S. AND FRANCE AND REFERRED AGAIN TO POSSIBILITY OF COMPROMISE TWO-PART APCKAGE INVOLVING AGREEMENT ON GOLD AND ON IMF QUOTAS ONLY (REF A).

3. OSSOLA POINTED TO RECENT EC AGREEMENT TO EXCLUDE GOLD FROM INTRA-COMMUNITY SETTLEMENTS UNDER VERY SHORT-TERM CREDIT ARRANGEMENTS AS EVIDENCE THAT EC DID NOT INTEND TO RE-ESTABLISH GOLD AS MEANS OF SETTLEMENT AMONG ITS CENTRAL BANKS. HE BELIEVED THAT AGREEMENT ON DISPOSITION OF IMF GOLD SHOULD ALSO PROVE POSSIBLE. OSSOLA WAS STILL UNCERTAIN AS TO WHETHER IMF QUOTA QUESTION COULD BE AGREED UPON AT FUND/BANK MEETING IN WASHINGTON.

4. OSSOLA SAID THAT TREASURY MINISTER COLOMBO, WHO WILL PRESIDE OVER AUGUST 24 MEETING OF EC MINISTERS OF FINANCE IN VENICE, HAD ASKED HIM TO KEEP IN TOUCH WITH U.S. TO ASSURE THAT ANY JOINT EC POSITION WHICH MIGHT BE ADOPTED AT VENICE MEETING NOT BE COMPLETELY UNACCEPTABLE TO U.S. OSSOLA SAID THAT HE AHD BEEN IN TOUCH WITH U.S. EXECUTIVE DIRECTOR AT IMF, CROSS, THROUGH ITALIAN EXECUTIVE DIRECTOR. HE HAD EXPLAINED THAT HE WOULD BE PREPARED TO VISIT WASHINGTON BEFORE AUGUST 24 MEETING IN EFFORT TO DETERMINE WHETHER THERE WAS REAL POSSIBILITY OF REACHING COMPROMISE AGREEMENT AT FUND/BANK MEETING. IF PROSPECTS FOR REACHING AGREEMENT JUSTIFIED IT, ANY SUCH VISIT WOULD ONLY BE AIMED AT CLARIFYING STATUS OF NEGOTIATIONS AND WOULD NOT CONSTITUTE ATTEMPT TO MEDIATE CONFLICTING POSITIONS. OSSOLA COMMENTED THAT AT MONETARY COMMITTEE MEETING FRENCH HAD REFERRED TO FUND/BANK MEETING IN SEPTEMBER AND INTERIM COMMITTEE MEETING IN JANUARY AS OCCASIONS FOR SEEKING COMPROMISE AGREEMENT. HOWEVER, HE SUSPECTED THAT FRENCH

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WOULD PROCRASTINATE AT WASHINGTON MEETING IN ORDER TO POSTPONE ANY DECISION UNTIL FALL MONETARY SUMMIT MEETING, WHICH HE PRESUMED WOULD TAKE PLACE.VOLPE

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